



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



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MEMORANDUM

TO: Local Educational Agency Superintendents, Public School Academy
Directors and Michigan Electronic Grants System Consolidated
Application Main Contacts

FROM: Michael W. Radke, Ph.D., Director *Mike Radke*
Office of Field Services

SUBJECT: Fiduciary Audit Exceptions in Title I Programs

The Michigan Department of Education (MDE) has received the final Report from the visit by the Student Achievement and School Accountability (SASA) Office with the U.S. Department of Education (USED). This Report identified several areas related to internal controls of financial documents and reports that require immediate attention. This summary is provided to each Local Educational Agency (LEA) so that a review of your procedures may occur and changes implemented to ensure your program compliance with Title I, Part A legislative mandates.

Within District Allocation Procedures for Title I, Part A

The Office of Field Services (OFS) receives enrollment data reporting the number of students residing in each school attendance area within the Title I School Selection (TISS) Application. During the audit, a sample was noted where the enrollment data at the school did not match the enrollment data submitted in the TISS Application. OFS requires that this enrollment data, and the date entered into Screen 2 of the TISS Application, is maintained for documentation by the district.

Citation: Section 200.78 of the Title I regulations provides that an LEA must allocate funds under Title I, Part A to school attendance areas and schools identified as eligible and selected to participate in rank order on the basis of the total number of children from low-income families in each area or school.

OFS will plan to audit these documents and ensure that the date submitted is documented for the specific date listed in the Michigan Electronic Grants System, during the scheduled On Site Reviews for 2010-11.

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Salary and Benefits Differential

A second item related to allocation procedures was the correct use of salary differential. This process has limited applicability in Michigan. We have restricted use of this process to this point. Based on this Finding, Michigan will review all districts using this process and follow-up with them prior to approving funding under this approach. The Citation from the Report and the Michigan-specific directions for use of salary differential are outlined here. Further mandatory technical assistance will be required before approving this process.

Citation: Section 1113(a)(1) of the Elementary and Secondary Education Act (ESEA) requires that Title I, Part A funds be allocated only in eligible school-attendance areas and schools on the basis of the number of children from low-income families in each area or school. In guidance on allocation of Title I funds to eligible schools, the USED recognizes that an inequity may occur if schools with similar allocations offering similar instructional programs need to spend different amounts because of the salary and fringe benefit costs of the staff providing the instruction. To address this situation, an LEA may consider variations in personnel costs, such as seniority pay differentials or fringe benefit differentials, as LEA-wide administrative costs, rather than as part of the funds allocated to school attendance areas or schools. The LEA would pay the differential salary and fringe benefit costs from its administrative funds taken off the top of the LEA's allocation. This policy would have to be applied consistently to staff serving both public and private school children throughout the LEA.

- Q. May an LEA consider variations in personnel costs, such as seniority pay differentials or fringe benefit differentials, as LEA-wide administrative costs, rather than as part of the funds allocated to school attendance areas?
- A. Yes, this is an allowable option for the LEA. The statute requires that Part A funds be allocated to school attendance areas and schools on the basis of the number of children from low-income families in each area or school. This provision assumes, for example, that two schools with the same number of poor children need similar amounts of funds to provide comparable educational programs to participating children. An inequity may occur, however, if schools with similar allocations offering similar instructional programs need to spend different amounts because of the salary and fringe benefit costs of the staff providing the instruction. To address this situation, an LEA may consider variations in personnel costs, such as seniority pay differentials or fringe benefit differentials, as LEA-wide administrative costs, rather than as part of the funds allocated to school attendance areas or schools. The LEA would pay the differential salary and fringe benefit costs from its administrative funds taken off the top of the LEA's allocation. This policy would have to be applied consistently to staff serving both public and private school children throughout the LEA.

To ensure districts are aware of this provision, the TISS Application has been amended to assist in this process.

Row 4 of the TISS Application: Salary & Fringe Benefit Differentials

To address variations in Title I personnel costs, a district may consider seniority pay differentials or fringe benefit differentials as a district-level administrative cost rather than a charge to each Title I school. This policy would have to be applied consistently to staff serving both public and private school children throughout the district. Please be apprised that Private Non-Public schools are entitled to an equitable share of the total amount entered on Row 4 to be used for instructional services. Contact your Field Services consultant for technical assistance in determining salary and fringe benefit differentials.

Parental Involvement Set-Aside

Citation: Section 1118(a)(3)(A) of the ESEA requires LEAs with a Title I, Part A allocation of greater than \$500,000 to reserve not less than one percent of their Title I, Part A allocation to carry out parental involvement activities.

Section 200.65 of the Title I regulations requires LEAs to calculate from these funds the amount of funds available for parental involvement activities for families of private school students based on the proportion of private school students from low-income families residing in Title I attendance areas. The LEA then must distribute to its public schools at least 95 percent of the remainder, leaving the balance of the reserved funds for parental involvement activities at the LEA level. Any funds related to this requirement that the LEA does not use during that year must be carried over into the next fiscal year and used for parental involvement activities.

Semi-Annual Certifications and Personnel Activity Reports

Citation: Under 34 CFR 80.20(b) (6) in the Education Department General Administrative Regulations (EDGAR), the district accounting records must be supported by source documentation. The certification for such source documentation is in addition to the standards for payroll documentation and is required to support salaries and wages by OMB Circular 87, Attachment B, Item 11, Compensation for Personnel Services.

In addition, OMB Circular A-87, *Attachment B, Paragraph 8.h (3)* states, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the time and effort certification. These time and effort certifications will be prepared at least

semi-annually and will be signed by the employee or supervisory official having actual knowledge of the work performed by the employee."

OMB Circular A-87, *Attachment B, Paragraph 8. h. (4)* states, "Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5)" Subsection (5) states,

Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity, for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.